

May 1, 2020

Jeff Slapikas, Chairman
Prospect Town Council
36 Center Street
Prospect, Ct 06712

Dear Chairman Slapikas and Honorable Members of the Prospect Town Council:

While the current situation where we all find ourselves consumes a majority of our attention, it is important that we continue to maintain an awareness of other topics that also have a real impact on all of us. Clearly one of these is the town's annual budget process, which for a number of very valid reasons is much more opaque to the public this year than ever before. As a concerned resident who admittedly spends a disproportionate amount of time analyzing numbers, I have prepared a series of questions, comments and observations concerning the proposed 2020-2021 Town of Prospect Municipal Budget.

There appears to be a 'new position' being requested this year that will apparently be responsible to deal with the town's 'financial / budgetary' accounting issues. As a person who acknowledges the 'problems' the town's administration has been experiencing over at least the last five (5) years, I believe this is an area where better financial management should have been addressed long ago. I expect that the mayor's newfound interest in making changes to a process that he steadfastly refused to address over the decades is singularly due to the situation where apparently upwards of \$250,000 of taxpayer money started to just go missing in late 2017, and went unnoticed for almost a year. Whatever the motivation, and while I strongly support any initiative to inject transparency and stronger financial controls into this long underserved component of this administration, I do have several concerns.

Almost four (4) years ago, the Prospect Town Council voted unanimously to establish a bi-partisan team comprised of nine (9) residents to research and recommend potential updates to the decades old Town Charter for Prospect residents to consider. One of the specific topics that team [also] unanimously recommended to the public was the increasing need to incorporate stronger financial expertise / controls into the process. The mayor and his 'inner circle' of elected and appointed town officials assured the voters that this was unnecessary and implored them to vote against that, along with all the other recommendations that would have moved Prospect into the 21st century. I therefore wonder why the mayor now wants to hire, rather than elect, someone to 'oversee' the way the town accounts for taxpayer dollars. After all, it was not that long ago the Mayor asked everyone to believe that such tasks were in the realm of the elected Town Treasurer, along with an annual salary of about \$10,000.

Again, I believe now as I did then, that this responsibility needs to be handled by a 'professional' with appropriate expertise, so I support the development of a precise job description and a thorough vetting process to identify a qualified candidate. I am concerned whether that has already been documented, as without it, how was it determined by the mayor that the \$40,000 requested salary is appropriate? A qualified outside hire; a new set of eyes so to speak, would certainly bring objectivity to the position and represent a clean departure from any lingering concerns as to the process. So I'm hoping that an individual has not been pre-selected, a salary already agreed to and a 'job description' sculpted to 'fit' their specific skill-set.

Will the defined functions of the new role be substantially comprised of tasks that were previously being performed by elected or appointed members of the current administration, or are they tasks that are important to the town's ongoing operation but were not being performed by anyone? If the latter, it would seem to imply that the administration was doing an incomplete job accounting for taxpayer dollars. If the former, then as the 'new' position would seemingly be responsible for tasks previously performed by others, the salary for that position should be directly offset by reduction of the current salary expense of those who no longer are charged with those specific responsibilities.

One last thought on this topic; given the criticality of accurate financial accounting and my level of concern that such responsibilities be executed exclusive of any political influences, I strongly recommend that this position report directly to the Town Council, thereby establishing at least the appearance of independent accountability. In all 'publicly held' entities', internal audit functions typically report exclusively to a 'Board' rather than the organization's 'CEO' and while the Town of Prospect is not a corporation, one could make a strong case that it is, or at least should be considered as being 'publicly held'.

Other Budget Related Questions:

1. Rather than sifting through all the multiple individual components, for 2020-2021 will the Mayor's 'all in' annual compensation remain at the previously reported \$130,000+ level?
2. Assuming that at least some of the 'Budget Management & Reporting' functions historically performed by the Mayor (and others) may be absorbed by the 'new' position (if approved) will the Mayor's salary (and others) be reduced proportionately?
3. I understand that unlike the 2019-2020 Budget year, there is not a local election this coming November, but will you continue to aggressively use the surplus in the General Fund and anticipated revenue from 'Police Overtime' to reduce the tax burden on Prospect taxpayers?
4. Speaking to the positive balance in the General Fund, can the 'Administration' provide the residents defining the various 'sources' of that surplus including: a) taxes collected but not spent as budgeted, b) borrowed / bonded money not spent in prior years, c) unanticipated revenues / rebates (Region 16 surplus, state, town fees, sale of town assets, etc), d) miscellaneous / other?
5. How is this budget reflecting / addressing the 'unfunded liability' related to Town Employee Post-Employment Benefits that was identified last year by the outside auditors and initially estimated to be 'about' \$650,000?
6. I understand that Region 16 notified the town that it could 'retain' approximately \$177,000 of the Regions 2019-2020 appropriation, and that the town would utilize that 'windfall' to reduce what is possibly a \$1.5m increase in the Prospect Share of the 2020-2021 Education Budget. As Prospect had previously 'retained' upwards of \$1.0m of Region 16 appropriations over recent years, will those funds, that were never returned to, or used to offset Region 16 expenses, also be used to reduce the overall financial burden on Prospect's taxpayers?

7. Given the scope of [human] errors that were openly acknowledged in mid-2017, dating back as far as the 2014-2015 budget year, the current problems, such as 'no one balancing bank statements', and the discovery of various 'procedural irregularities' with several earlier audits, will the 2020-2021 budget include sufficient funding to support a thorough 'forensic' type audit going back a minimum of 5-6 years?
8. For all requested line item budget amounts are greater than \$5,000, and represent the purchase of goods or services that will be provided by outside vendors or individuals, will the Town's Purchasing Policy requiring competitive bidding be strictly adhered to this 2020-2021 budget year?

As I'm sure you appreciate, the [hopefully] once in a lifetime crisis that now negatively impacts essentially everyone, including for many, significant financial impacts, I'm also hopeful that the Town Council will do whatever is necessary to at least maintain the mil rate level at last year's number of 30.95. As always, I thank you and the Town Council for your collective efforts during these unusually difficult times and look forward to your inclusion of these issues into your ongoing budget discussions / decisions and for the timely providing of all requested information. Please let me know if you have any questions or require any clarifications.

Best Regards, and Stay Healthy,

Thomas J. Galvin

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